

# ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

NOVEMBER 2004

## HIGHLIGHTS

## Summary

In the third quarter of this year, the nation's real gross domestic product (GDP) — a widely followed measure of overall economic activity — expanded at an annualized rate of 3.7 percent, up from 3.3 percent in the second quarter. Economic growth was supported by a rebound in consumer expenditures, which accelerated to 4.6 percent in the third quarter, compared to a 1.6 percent increase for the previous quarter. In addition, business investment for equipment, software and structures grew by nearly 12 percent, slightly slower than in the previous quarter.

Employment in the nation (not seasonally adjusted) in September was up 1.4 percent over the year. The growth in professional and business services helped lead the way, with an increase of approximately 3 percent from the same period a year ago. Construction was also robust, increasing by nearly 3 percent as well. The education and health services sector was also relatively strong, up 2.2 percent over the year.

Employment in Maryland was up about 2 percent in September, compared to the same period a year ago, outpacing the 1.4 percent increase for the nation. The leisure and hospitality industry remained robust as employment in the sector expanded by more than 4 percent over the year. Job growth in professional and business services was also relatively strong, rising by 3 percent. Education and health services grew by 2.7 percent as well. The construction sector also displayed robust job growth of more than 5 percent in September.

## Unemployment Rate

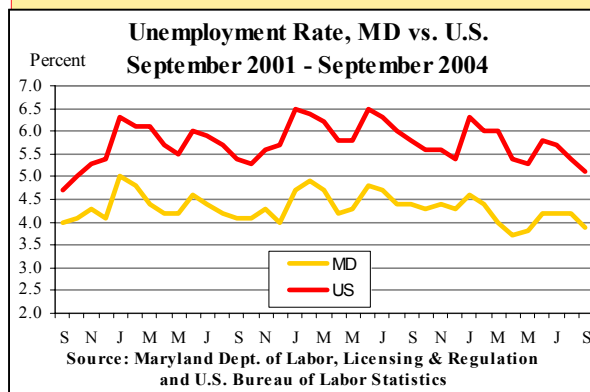
The state's unemployment rate stood at 3.9 percent in September, down from 4.4 percent for the same period a year ago. Maryland's unemployment rate remains well below the national average — at 5.1 percent in September. For the first nine months of this year, Maryland's unemployment rate was 4.1 percent, compared to 5.7 percent for the nation.

Across the state, regional unemployment rates reflected the relative strength of Maryland's economy. All regions of the state were below the national average of 5.7 percent for the first nine months of the year. Southern Maryland's unemployment rate of 2.8 percent was the lowest in the state. The Capital Region followed closely with a rate of 3.2 percent. The Balti-

### Unemployment Rates (Percent)

	Not Seasonally Adjusted		Seasonally Adjusted	
	MD	U.S.	MD	U.S.
Sep 2004	3.9	5.1	4.1	5.4
Aug 2004	4.2	5.4	4.3	5.4
Sep 2003	4.4	5.8	4.5	6.1

Source: U.S. Bureau of Labor Statistics



### State's Job Growth Outpaces Nation

In September, Maryland's employment increased by nearly 2 percent from the same period a year ago. Nationally, the job growth rate was 1.4 percent.

### Leisure and Hospitality Remains Robust

The state's tourism-related sector added 10,400 net new jobs between September 2003 and September 2004 — a 4.6 percent increase.

### Unemployment Rate Well Below the Nation

The state's unemployment rate (not seasonally adjusted) in September stood at 3.9 percent, well below the national average of 5.1 percent.

### Southern Maryland Enjoys Low Unemployment

The unemployment rate (not seasonally adjusted) in Southern Maryland was the lowest in the state — 2.8 percent for the first nine months of this year.

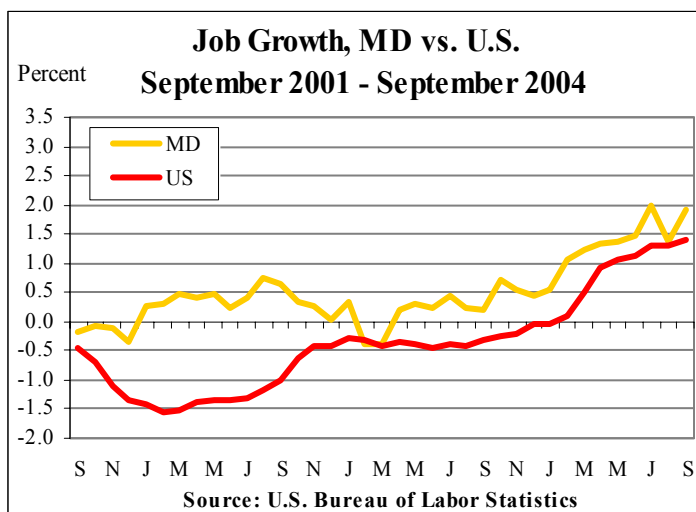
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Governor  
Michael S. Steele  
Lt. Governor  
Aris Melissaratos  
Secretary

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# Jobs and Sectors

## Jobs

Between September 2003 and September 2004, the state added almost 48,000 net new jobs — a growth rate of 1.9 percent. During the first nine months of this year the state has, on average, gained nearly 34,000 jobs compared to a year ago, an increase of 1.4 percent. Employment in the leisure and hospitality industry was up 4.6 percent, adding 10,400 jobs over the year. Professional and business services also contributed nearly 11,000 net new jobs between September 2003 and September 2004.



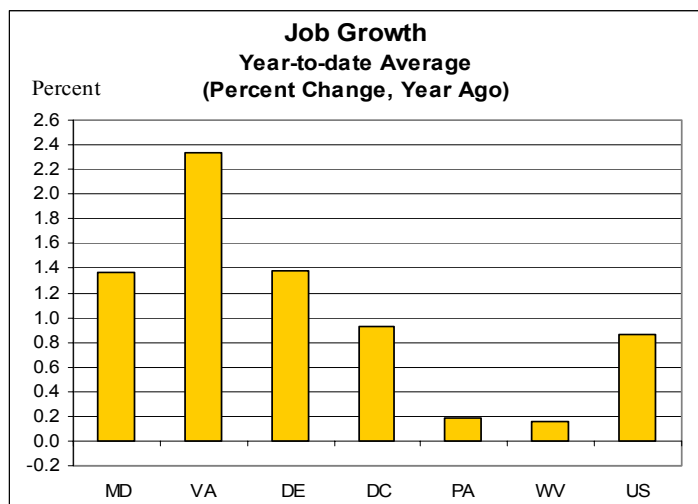
Employment in the U.S. rose by 1.4 percent in September, up slightly from the previous month. For the first nine months of this year, the job growth rate for the nation was 0.9 percent.

## Maryland vs. U.S. Job Growth Rate (Percent Change, Year Ago)

Month	MD	U.S.
Sep-03	0.2	-0.3
Oct-03	0.7	-0.2
Nov-03	0.5	-0.2
Dec-03	0.5	-0.1
Jan-04	0.5	0.0
Feb-04	1.1	0.1
Mar-04	1.2	0.5
Apr-04	1.3	0.9
May-04	1.4	1.0
Jun-04	1.5	1.1
Jul-04	2.0	1.3
Aug-04	1.4	1.3
Sep-04	1.9	1.4

## Job Growth Ranking

The state's job growth rate of 1.9 percent in September resulted in a ranking of 10<sup>th</sup> in the nation. During the first nine months of this year, the state's average job growth rate stood at 1.4 percent, resulting in a ranking of 15<sup>th</sup>.



The average job growth rates and rankings, for the first nine months of this year, among selected jurisdictions include: Virginia, 2<sup>nd</sup> (2.3%); Delaware, 14<sup>th</sup> (1.4%); the District of Columbia, 21<sup>st</sup> (0.9%); Pennsylvania, 43<sup>rd</sup> (0.2%); and West Virginia, 45<sup>th</sup> (0.2%). The remaining top ten states in job growth included Nevada (4.4%), Arizona (2.3%), Hawaii (2.3%), Florida (2.1%), Idaho (2.0%), Wyoming (2.0%), Utah (1.9%), New Mexico (1.8%) and Washington (1.7%). Nationally, the job growth rate was 0.9 percent.

## Leisure and Hospitality

The state's tourism-related industry remains robust, adding 10,400 net new jobs during the September 2003 to September 2004 period — a 4.6 percent increase. Accommodation and food services was up 4.5 percent, with an addition of 8,600 net new jobs. Food services and drinking places accounted for much of the increase, adding 8,100 new jobs — up 4.9 percent. Nationally, job growth in the leisure and hospitality sector was up 1.9 percent in September.

The state's hotel occupancy rate stood at 70 percent in September, up from 69 percent a year ago. Visitor volume at state welcome centers was up 14 percent over the year. Tourism-related tax receipts, however, were down.

## Health Services

Health care (including social assistance) was up 2.8 percent in September, adding 7,800 net new jobs. Within the health  
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## Jobs and Sectors (continued from page 2)

care sector, health care service providers generated 2,100 jobs (up 2.4 percent) and hospitals added 3,600 jobs (up 3.9 percent). Nursing and resident care facilities contributed 1,100 jobs for an increase of 1.9 percent.

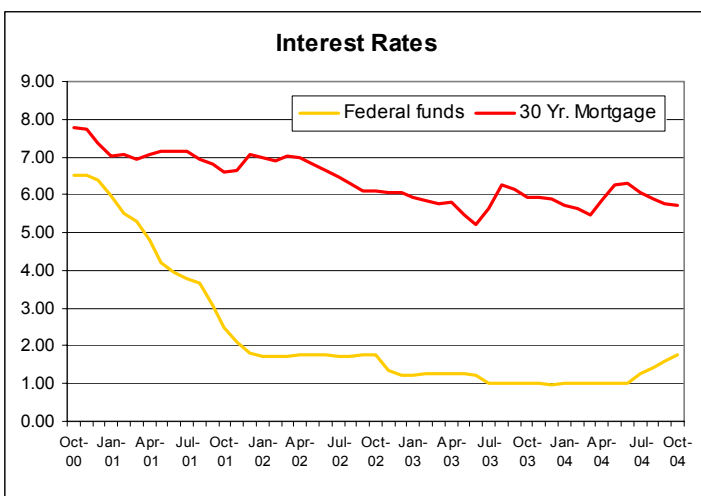
### **Retail Sales**

The state's retail trade sector grew by 1.2 percent from September 2003 to September 2004, adding 3,600 new jobs. Sectors generating net new jobs included motor vehicle and parts dealers (up 1.8 percent), grocery stores (up 2.6 percent), clothing and clothing accessories stores (up 4.8 percent) and miscellaneous retailers (up 5.3 percent).

### **Home Sales and Building Permits**

Existing home sales in Maryland were up only 1 percent over the year. For the first nine months of the year, however, the increase in existing home sales has averaged about 10 percent from the same period a year ago. From September 2003 to September 2004, permits for new residential units rose about 14 percent in Maryland.

The real estate market has remained strong, in part, because mortgage rates have remained relatively low. Analysts, however, expect the market to cool as the Federal Reserve is expected to continue raising interest rates, placing upward pressure on mortgage rates.



### **Other Industries**

The growth in employment for professional and business services remained relatively strong in September — up 3.0 percent from the same period a year ago — generating 10,800 jobs over the year. The U.S. job growth rate for professional

and business services was slightly slower than the state, up 2.9 percent.

The state's construction, mining and natural resources sector was up a strong 5.6 percent in September, with an addition of 9,700 net new jobs. Special trade contractors accounted for 5,600 new jobs.

Other services were up 1.6 percent in Maryland between September 2003 and September 2004, while the U.S. managed an increase of 0.3 percent in this sector.

Maryland's information sector showed an increase in jobs over the year for the third consecutive month, rising by 1.6 percent. The sector added 800 jobs over the year. Within the information sector, however, employment in telecommunications declined by 1.5 percent. Nationally, the information sector was down 0.6 percent over the year.

### **Manufacturing**

Maryland's manufacturing sector lost 0.7 percent of its job base in September. The computer and electronic product sector continued to buck the overall downturn and increased by 4 percent, with the addition of 1,000 jobs. Nationally, employment in the manufacturing industry was nearly flat, recording an increase of 0.1 percent over the year.

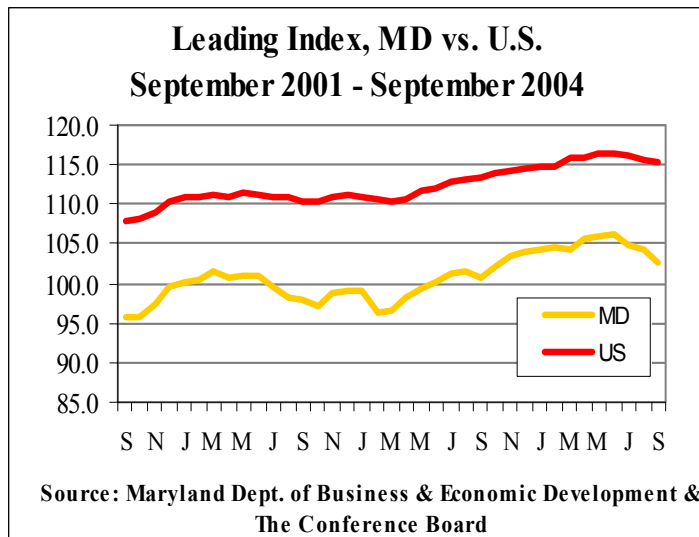
Industry earnings and hours were both up over the year in Maryland. Average weekly earnings in Maryland's manufacturing industries rose 9.8 percent in September and 2.6 percent for the U.S. Average weekly hours were up about 1 percent for Maryland, but fell 0.5 for the nation.

### **Percent Change in Jobs September 2003 - September 2004**

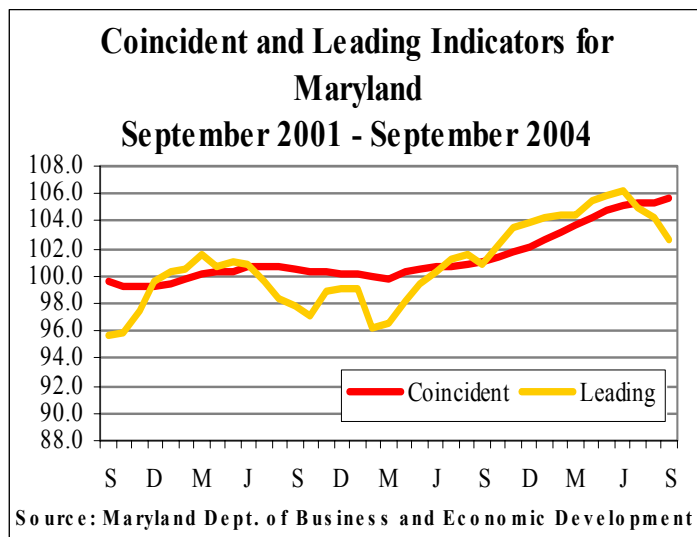
	MD	U.S.
Construction, Mining, Natural Resources	5.6	2.9
Leisure and Hospitality	4.6	1.9
Professional and Business Services	3.0	2.9
Education and Health Services	2.7	2.2
Health Care and Social Assistance	2.8	2.2
Financial Activities	2.2	1.1
Information	1.6	-0.6
Trade, Transportation and Utilities	0.9	1.1
Retail	1.2	0.7
Manufacturing	-0.7	0.1
Other Services	1.6	0.3
Government	-0.3	0.7
<b>Total</b>	<b>1.9</b>	<b>1.4</b>

# Maryland Leading and Coincident Indices

The *Maryland index of leading indicators* provides an outlook for the economy over the coming six to nine months. The indicator fell for the third consecutive month, moving downward to 102.6 in September. The majority of the Maryland components were negative and all of the U.S. components had a negative effect as well. The Maryland stock price index provided the largest positive contribution to the indicator. Over the year the state index was up about 2 percent, but the increases from a year ago have been slowing since early this year. The U.S. indicator has also been weak in recent months and has not exhibited an increase for four consecutive months. Despite the downturn in the state and U.S. indicators, the movements should not necessarily be interpreted as a clear sign of trouble.



The coincident index provides a reading on current economic conditions in Maryland and is used to help track the performance of the economy. The revised *coincident index* stood at 105.6 in September, edging up from 105.4 in August. Although seasonally adjusted employment edged lower from August to September, the consumer confidence index turned up and the seasonally adjusted unemployment rate declined from the previous month — falling from 4.3 percent in August to 4.1 percent in September — contributing to a positive impact. Year-over-year the state index was up about 4.5 percent. In September, the U.S. coincident indicator was up by 0.2 from the previous month and rose nearly 3 percent from the same period a year ago.



## Labor Force

Maryland's employment by place of residence was up 2.2 percent over the year, while the labor force grew by 1.7 percent. The growth in the state's labor force continues to outpace the growth in the U.S. labor force.

Initial claims for unemployment insurance (UI) were down 21 percent from September 2003 to September 2004, while UI claims for the nation were down 15 percent over the same period. The increase in the *Baltimore Sun's* help-wanted counts was short-lived, with the September figures showing a decrease of 6 from the same period a year ago. Temporary cash assistance (TCA) caseload declined by 3 percent.

<b>Labor Market Trends</b> (Percent Change, September 2003 - September 2004)		
	<b>MD</b>	<b>U.S.</b>
Growth of Civilian Labor Force	1.7	0.7
Employment by Place of Residence	2.2	1.4
Temporary Cash Assistance – Caseload	-3.3	–
Change in Initial UI Claims	-21.4	-15.1
Help-wanted Counts	-6.2	–
Unemployment Rate (current month, %)	3.9	5.1

## FOCUS: Regional Economies Continue to Expand

The recent *Beige Book* report, a Federal Reserve publication describing economic activity in 12 regions of the nation, indicated that economic activity in the nation continued to expand in September and early October. Reports from many districts suggested that higher energy costs constrained household spending, but business investment appeared to pick up in most regions. Residential construction was generally robust, although there were some signs of slowing. Nonresidential real estate activity, however, remained soft in most districts. Overall labor market conditions indicated that hiring appeared to be increasing moderately.

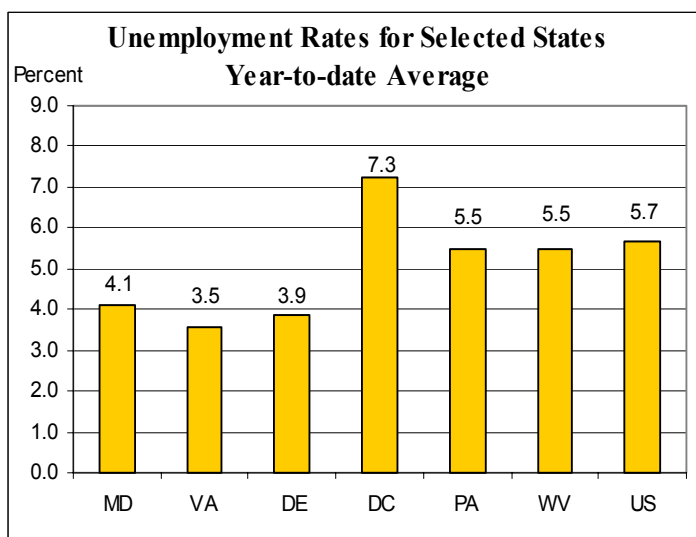
Economic activity in Maryland — as well as the District of Columbia, North Carolina, South Carolina, Virginia and most of West Virginia — is included in the region covered by the Federal Reserve Bank of Richmond. The report indicated that growth in this region was advancing at a faster pace in

September and early October. Residential real estate activity remains generally strong in the region, although home sales were reported to be slowing in some areas. Tourism activity remained a bright spot for the region, with business activity strengthening from the previous report. The services sector contributed to the overall improvement for the region and manufacturing activity also strengthened.

Prospects for the national economy through 2005 remain generally upbeat, although one of the main uncertainties surrounding the outlook involves energy prices. If energy prices moderate analysts note that this would help the economy come close to meeting its potential growth rate of roughly 3.5 percent. The projected expansion in economic activity next year, however, would slow from estimates for the current year — which place growth at over 4 percent in 2004.

## Unemployment Rate (continued from page 1)

more Region's unemployment rate of 4.7 percent came in above the state average of 4.1 percent — due in part to the 8.2 percent unemployment rate in Baltimore City. While the Eastern Shore's unemployment rate of 5.3 percent was below the U.S. average, Cecil (6.1 percent), Dorchester (7.9 percent), Somerset (6.6 percent) and Worcester (7.6 percent) counties were all above the state and national averages. In Western Maryland, the unemployment rate stood at 5.1 percent — with Allegany (7.1 percent) and Garrett (6.1 percent) above the average for the state and the nation.



### Unemployment Rate (Percent) Year-to-date Average, January - September

Region	2003	2004
<b>U.S.</b>	<b>6.1</b>	<b>5.7</b>
<b>Maryland</b>	<b>4.6</b>	<b>4.1</b>
<b>Baltimore Region</b>	<b>5.2</b>	<b>4.7</b>
Anne Arundel	3.7	3.4
Baltimore City	8.6	8.2
Baltimore	5.0	4.4
Carroll	3.4	3.1
Harford	4.9	4.2
Howard	2.9	2.6
<b>Capital Region</b>	<b>3.6</b>	<b>3.2</b>
Frederick	3.2	2.8
Montgomery	2.7	2.3
Prince George's	4.8	4.3
<b>Southern Maryland</b>	<b>3.0</b>	<b>2.8</b>
Calvert	3.1	2.7
Charles	3.1	3.0
St. Mary's	2.9	2.6
<b>Eastern Shore</b>	<b>6.1</b>	<b>5.3</b>
Caroline	5.3	4.7
Cecil	7.7	6.1
Dorchester	9.8	7.9
Kent	4.6	3.8
Queen Anne's	4.0	3.3
Somerset	6.8	6.6
Talbot	4.1	3.7
Wicomico	5.1	4.4
Worcester	7.5	7.6
<b>Western Maryland</b>	<b>5.5</b>	<b>5.1</b>
Allegany	6.4	7.1
Garrett	6.7	6.1
Washington	4.8	4.0



## Selected Monthly Economic Indicators

Selected Indicators	Maryland					U.S.				
	Sep 2004	Aug 2004	Percent Change From Last Month	Sep 2003	Percent Change From Last Year	Sep 2004	Aug 2004	Percent Change From Last Month	Sep 2003	Percent Change From Last Year
<b>Labor Market</b>										
Labor Force (U.S. in Thousands)	2,953,883	2,973,769	-0.7	2,903,602	1.7	147,186	148,166	-0.7	146,166	0.7
Employment (U.S. in Thousands)	2,838,239	2,849,855	-0.4	2,776,872	2.2	139,641	140,226	-0.4	137,731	1.4
Unemployment Rate	3.9	4.2	-7.1	4.4	-11.4	5.1	5.4	-5.6	5.8	-12.1
Sun Help-Wanted Counts, Baltimore MSA	13,914	14,898	-6.6	14,826	-6.2					
Initial Claims for Unemployment Insurance	14,136	16,026	-11.8	17,987	-21.4	1,195,210	1,241,865	-3.8	1,407,376	-15.1
TCA Caseload	27,907	27,792	0.4	28,853	-3.3					
TCA Cases Closed	3,241	2,692	20.4	2,945	10.1					
<b>Jobs and Sectors (Jobs in Thousands)</b>										
Total Non-Agricultural Employment	2,541.3	2,518.9	0.9	2,493.5	1.9	131,939	131,209	0.6	130,135	1.4
Construction, Mining & Natural Resources	182.3	182.5	-0.1	172.6	5.6	7,789	7,856	-0.9	7,573	2.9
Manufacturing	144.8	145.0	-0.1	145.8	-0.7	14,453	14,500	-0.3	14,441	0.1
Trade, Transportation, Utilities	467.0	466.0	0.2	462.9	0.9	25,491	25,493	0.0	25,219	1.1
Information	50.3	50.1	0.4	49.5	1.6	3,145	3,177	-1.0	3,164	-0.6
Financial Activities	159.8	159.7	0.1	156.4	2.2	8,084	8,112	-0.3	7,996	1.1
Professional & Business Services	374.7	377.3	-0.7	363.9	3.0	16,684	16,703	-0.1	16,210	2.9
Education & Health Services	347.7	344.4	1.0	338.4	2.7	16,884	16,593	1.8	16,528	2.2
Leisure & Hospitality	237.4	249.3	-4.8	227.0	4.6	12,545	12,896	-2.7	12,315	1.9
Other Services	118.6	119.2	-0.5	116.7	1.6	5,392	5,452	-1.1	5,374	0.3
Government	458.7	425.4	7.8	460.3	-0.3	21,472	20,427	5.1	21,315	0.7
Average Weekly Earnings (\$)	683.76	669.73	2.1	622.91	9.8	664.62	661.35	0.5	647.50	2.6
Average Weekly Hours	39.8	40.2	-1.0	39.3	1.3	40.6	40.9	-0.7	40.8	-0.5
<b>Business and Consumer Markets</b>										
BWI Cargo (Metric Tons)	19,032	19,661	-3.2	18,239	4.3					
BWI Passengers (Millions)	1.45	1.87	-22.8	1.49	-3.0					
Electric Meters Installed, Commercial	267	234	14.1	146	82.9					
Electric Meters Installed, Residential	959	1,074	-10.7	834	15.0					
Electricity Sales, Commercial (Millions of MWh)	1.61	1.93	-16.3	1.55	4.3					
Electricity Sales, Residential (Millions of MWh)	0.99	1.22	-19.2	0.94	5.3					
Existing Home Sales (U.S. in Thousands)	8,615	10,205	-15.6	8,520	1.1	561	661	-15.1	560	0.2
New Auto Registration (U.S. seasonally adjusted)	38,172	37,175	2.7	40,464	-5.7	1,283,436	1,561,327	-17.8	1,442,525	-11.0
New Residential Permits Authorized	2,573	2,718	-5.3	2,263	13.7	172,865	176,475	-2.0	163,135	6.0
<b>Indexes</b>										
Leading Index	102.6	104.2	-1.5	100.8	1.8	115.4	115.7	-0.3	113.3	1.9
Help-Wanted Index	62.1	66.5	-6.6	66.2	-6.2	36	37	-2.7	37	-2.7
CPI	120.8	N/A	N/A	117.2	3.1	189.9	189.5	0.2	185.2	2.5
Stock Index	269.1	260.5	3.3	234.6	14.7	1,114.6	1,104.2	0.9	996.0	11.9
<b>Tourism</b>										
Hotel /Motel Occupancy Rate (%)	70.0	72.6	-3.6	68.8	1.7					
State Welcome Center Visitors	179,864	243,468	-26.1	158,016	13.8					
Amusement & Admission Tax (Millions of Dollars)	4.65	5.69	-18.2	5.68	-18.1					
Hotel /Motel Sales Tax (Millions of Dollars)	6.04	6.97	-13.4	6.36	-5.0					



Robert L. Ehrlich, Jr., Governor  
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*Economic Pulse* is published monthly by the  
Division of Policy and Legislative Affairs

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Contributing Editors, Roger Fujihara, Nancy McCrea  
Graphic Design, James R. Moody, Roger Fujihara  
Distribution, Elver Bell

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